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SUBJECT: "BORING" HONG KONG POLICY ADDRESS DODGES
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Classified By: Consul General Joe Donovan for reasons 1.4(b) and (d).

11. (C) Summary: Consensus among Hong Kong's public and politicians was that Chief Executive Donald Tsang's October 15 Policy Address was dull. Pundits had long anticipated virtually all of Tsang's main points. The only proposal arousing heated debate was his suggestion that an increase in a grant to old-age pensioners should be means-tested. Considerable time devoted to the "financial tsunami" reinforced already deployed government talking points that Hong Kong's economy is strong and that valuable experience gained in the 1997 Asian Financial Crisis would help Hong Kong weather the current crisis. Tsang announced that the "Wage Protection Movement", a voluntary program whereby some employers undertook to pay security personnel and char forces a living wage (but most did not) had failed, and therefore the government is "inclined" to seek an across-the-board minimum wage. Tsang signaled a new stage in Hong Kong's relations with Taiwan by announcing that the Hong Kong Trade Development Council (TDC) will open an office in Taipei. There were no concrete announcements regarding democratic development or outreach to democrats. While most members listened in silence to the 90-plus minute address, the League of Social Democrats (LSD) -- Leung Kwok-hung ("Long Hair"), Raymond Wong ("Mad Dog") and Albert Chan livened the proceedings with vocal (if staged) outbursts and bananas hurled at the dais, resulting in their ejection from the chamber. End Summary.

12. (C) Comment: Tsang mentioned that the financial crisis might offer opportunities for Hong Kong, and we'd argue it certainly offers a modest one for him. The crisis gives him an opportunity, for now at least, to set aside controversial issues on which he most often faces criticism, such as constitutional reform, in favor of one in which he has considerable expertise (he was Financial Secretary during the Asian Financial Crisis and won plaudits for his handling of Hong Kong's response). Economics are Tsang's forte, he prefers to work in small groups of advisory committees involving experts he chooses, and Hong Kong does have the experience and resources to weather the storm better than most. Leading Hong Kong safely through the crisis could help undo recent declines in Tsang's popularity ratings. End comment.

13. (SBU) Chief Executive Donald Tsang delivered the second Policy Address of his current five-year term October 15. With the government starting from its previously-announced five-year agenda, the Central Policy Unit (CPU, the Hong Kong Government's in-house research arm which drafts the address) told us in a pre-briefing there would be no real surprises. As billed, the address covered the issues long anticipated in the press which have leaked out from consultation sessions held by the Hong Kong SAR government (HKSARG) with various sectors of society, with no bold initiatives. The content of the address also reflected the dual nature of Hong Kong as both an economic center boasting roughly the 36th largest economy in the world and as a fairly small Chinese city of

slightly more than seven million people. Thus, international capital markets and maintaining Hong Kong's competitive edge are discussed in almost the same breath as rectifying discrepancies among the tolls charged at Hong Kong's cross-harbour tunnels. Polls gave this Policy Address the lowest marks of any in Tsang's four years in office, with "bare pass" being the evaluation of most.

Financial Tsunami: Tsang's Perfect Storm?

14. (C) We will discuss the potential impact of Tsang's proposals to address the "financial tsunami" septel; here we will focus on its impact on Tsang's political fortunes. In general, the Policy Address was criticized for offering platitudes over specifics on the crisis. Tsang took pains to reinforce the government's already stated message that financial regulators were already vigilant (i.e., minibonds are not our fault) and were taking additional measures to protect Hong Kong's financial system. He broke with Hong Kong's laissez-faire orthodoxy by saying "the market is not omnipotent. Intervention is not necessarily an evil. If the market fails, the government should intervene." Tsang won modest praise for announcing he would head a new taskforce "to continually monitor and assess the impact of the financial tsunami on local and global markets" with the goal of keeping government and the community abreast of the challenges and vigilant to the opportunities arising from the crisis. The committee will "include top government officials, finance experts, economists, and representatives of major industries."

HONG KONG 00001933 002 OF 003

Commitment to a Minimum Wage

15. (C) One element of the address which won general support was Tsang's admission that the voluntary "Wage Protection Movement" (WPM) had failed and that "there has been a gradual shift in the community's attitude towards a minimum wage." Recognizing the impracticability of mandating a minimum wage just for cleaning and security staff (typically the lowest-paid workers and the focus of the WPM), Tsang declared he was "inclined" to support an across-the-board minimum wage, and pledged to introduce legislation in the current LegCo session. The legislation would put into place a board charged with setting the wage and various other mechanisms, but Secretary for Labour and Welfare Matthew Cheung told the media he did not expect the board to propose a wage figure before 2010. South China Morning Post (SCMP) Editor-at-Large Chris Yeung told us he doesn't think the process could be completed any faster for mechanical reasons. However, minimum wage legislation has support from most parties across both political camps, particularly the pro-Beijing Federation of Trade Unions, so we expect LegCo and the public to continue to push for more rapid action

"Fruit Money" Controversy Leads to Fruit-throwing

16. (C) Chinese University Professor Ma Ngok told us the Old Age Allowance (OAA), popularly known as "fruit money" and currently between HK\$625 and HK\$705 (just under a hundred U.S. dollars) a month, was never meant to be a social security payment. He described it as a gratuity to seniors in recognition of their service to society. Cast in this light, it becomes clearer why the issue of applying a means test as the cost of raising the allowance to HK\$1000/month (about USD 128) would result in such universal opprobrium. Tsang's economic arguments against subsidizing already well-off retirees might make sense if people viewed "fruit money" as part of the Comprehensive Social Security

Assistance Scheme, but they don't, and it speaks to Tsang's political acuity that he didn't realize it. The opposition may complain generally about the lack of specifics in a number of Tsang's points in the Policy Address, but this one issue has the right combination of simplicity and popular appeal to give it real political salience. For that reason, even Tsang's allies in the DAB and FTU have criticized the means-test plan, and newly-elected DAB legislator Starry Lee led a few hundred seniors to protest the plan at the HKSARG central government offices October 19. That said, Hong Kong society did not support the League of Social Democrats' (LSD) very scripted-looking outburst against the means test, which involved Raymond "Mad Dog" Wong hurling a bunch of bananas at the LegCo President's dais before he was led out of the chamber with fellow LSDer Albert Chan. (The bananas were leftovers from "Long Hair" Leung's pre-address outburst, which involved him brandishing a banana at Tsang and asking if he knew how much fruit cost as a way to show Tsang was out of touch with the poor working class. CU's Ma told us, only half jokingly, that "Long Hair" knew it would be a boring speech and so made sure he got thrown out as early as possible.) Former Chief Secretary and LegCo Member Anson Chan declared herself "appalled" at the outburst, and warned these kinds of stunts merely give ammunition to those arguing Hong Kong is not yet ready for democracy.

Two Systems, One Direct Link

17. (C) Tsang's announcement that the Trade Development Council will open a representative office in Taipei and that the government is encouraging Hong Kong and Hong Kong-based Taiwanese business leaders to form a Hong Kong-Taiwan Business Co-operation Committee speaks to the sea-change in the SAR's relations with a Taiwan under KMT leadership. Additional steps include increasing the permitted number of entries per month and the duration of stay for holders of the travel documents Hong Kong issues to Taiwan residents, as well as the establishment of an inter-departmental steering committee under the Financial Secretary to look at expanding economic and trade ties with Taiwan. SCMP's Yeung told us these ideas were already in preparation before the March election of Ma Ying-jeou (Hong Kong was apparently betting blue), and in fact the TDC has been talking about the Taipei office for months without visible progress. Nevertheless, mention of these initiatives in the policy address represent the most public announcement possible of an end to Hong

HONG KONG 00001933 003 OF 003

Kong's arms-length relationship with Taiwan.

The Defeat of Politics

18. (C) In a 136-paragraph address, six paragraphs speak in platitudes about better Executive-Legislative relations. "Government officials at different levels - the Chief Executive, the three Secretaries (the Chief Secretary for Administration and the Secretaries for Finance and Justice), all Directors of Bureaux, as well as Under Secretaries and Political Assistants - will maintain dialogue with Members when formulating policies, and seek their views as early as possible," Tsang promised. Only one paragraph discusses the democratic reforms expected for the 2012 LegCo and CE elections, and offers nothing more than to begin another round of consultations in 2009. Had Tsang really wanted to improve his relationship with LegCo, particularly the pan-democrats, he could have announced the appointment of a democratic LegCo member (or a retiree like Martin Lee or Yeung Sum), or committed to an enhanced dialogue with LegCo's democrats on constitutional reform. That said, no one expected more, and the democrats have expressed resigned disappointment rather than outrage (even Mad Dog focused instead on the fruit money).

